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February 17, 2005

Jeannene Hurley  
Michigan State Department of Education  
608 W. Allegan  
Lansing, MI 48933

RE: USF Form 470  
Form 470 Application Number: 349770000538798  
Billing Account Number: DED-JBM-20050217-4099-jbm-01  
Merit SPIN: 143-004-331

Ms. Hurley:

This quote provides cost information for providing Internet access service via MichNet to eligible entities represented by the Michigan State Department of Education. MichNet is our regional network that connects schools, colleges universities, libraries, health care organizations, government agencies, research institutions, and businesses throughout Michigan to the world-wide Internet.

A description of the services offered for eligible entities represented by the Michigan State Department of Education and the associated one-time and ongoing costs is found in Appendix A of this letter.

Sincerely,

A handwritten signature in black ink that reads "Jim Moran". The signature is fluid and cursive, with the first name "Jim" and last name "Moran" clearly distinguishable.

Jim Moran  
Network Sales Consultant

encl.

## **Appendix A**

### ***Dedicated Connection Internet Access Service***

#### ***Attachment Description***

We propose fractional T1, full T1, 2xT1, and 3xT1 Internet access service for individual sites and consortium sites in the state of Michigan. Merit will lease the T1 line(s) from a Local Exchange Carrier that serves the site that will receive the Internet Access Service to attach that site to our nearest backbone point-of-presence (POP). Not all locations in the state will necessarily have a Local Exchange Carrier that can provide a T1 to a Merit backbone POP, although most will. The pricing detailed herein for Telco Installation and Annual Access Fee is that of our most expensive T1 provider; actual costs may be lower. Please contact Merit for pricing for each site.

#### ***One-time Costs***

The total one-time cost for the attachments proposed here is detailed below:

<b>Access Speed</b>	<b>Merit Setup and Installation</b>	<b>Telco Installation</b>	<b>Total One-time Cost</b>
256 Kbps (fractional T1)	\$3,750	\$1,600	\$5,350
512 Kbps (fractional T1)	\$3,750	\$1,600	\$5,350
768 Kbps (fractional T1)	\$3,750	\$1,600	\$5,350
1.5 Mbps (T1)	\$3,750	\$1,600	\$5,350
3.0 Mbps (2xT1)	\$5,550	\$3,200	\$8,750
4.5 Mbps (3xT1)	\$7,850	\$4,800	\$12,650

## Ongoing Costs

The annual ongoing cost for the attachments proposed here consists of the annual access fee for the T1(s), plus the annual contracted bandwidth fee for service type and level that eligible entities represented by the Michigan State Department of Education elect to receive on the circuit.

The annual access fees for the attachments proposed here is detailed in the table below:

<b>Access Speed</b>	<b>Annual Access Fee</b>
256 Kbps (fractional T1)	\$6,900
512 Kbps (fractional T1)	\$6,900
768 Kbps (fractional T1)	\$6,900
1.5 Mbps (T1)	\$7,050
3.0 Mbps (2xT1)	\$14,100
4.5 Mbps (3xT1)	\$20,850

The service types, fixed or burstable, and levels that eligible entities represented by the Michigan State Department of Education can elect to receive on the circuit are detailed in the sections that follow.

### A. Fixed Bandwidth Service

The table below details the annual fees for bandwidth usage at fixed increments from 256 Kbps to 4.5 Mbps. With the connection proposed here, any of these increments is available, and eligible entities represented by the Michigan State Department of Education could select a relatively low increment initially then ask for an increase at any time.

<b>Annual Ongoing Costs for Fixed Bandwidth</b>				
<b>Contracted Bandwidth</b>	<b>1-year Term</b>	<b>2-year Term</b>	<b>3-year Term</b>	<b>5-year Term</b>
<b>256 kbps</b>	\$5,400	\$4,320	\$3,970	\$3,800
<b>512 kbps</b>	\$5,680	\$4,550	\$4,180	\$3,910
<b>768 kbps</b>	\$6,840	\$5,470	\$5,030	\$4,700
<b>1.5 Mbps</b>	\$9,120	\$7,290	\$6,710	\$6,270
<b>3 Mbps</b>	\$14,910	\$11,930	\$10,980	\$10,260
<b>4.5 Mbps</b>	\$20,870	\$16,700	\$15,360	\$14,360

## B. Burstable Service

In burstable service, a contracted bandwidth fee is set based on your anticipated usage for a single site for burstable or two or more sites for a consortium. This is referred to as the minimum bandwidth or base amount.

Burstable bandwidth is measured by the “average peak” usage of the circuit, defined as the maximum bandwidth used in a 30 minute sample period on two consecutive days in one month. You would pay for the minimum bandwidth you specify, plus any additional charge for actual bandwidth used.

If you were to use more than your base amount in three consecutive months, the highest amount used in each of those months would become the new base. Similarly, if the you were to use less than your contracted bandwidth for three consecutive months, at your option, you may lower your contracted bandwidth. An example burstable pricing scenario is shown after the cost table below.

The chief advantage of burstable service is that it provides bandwidth on demand (in this case, up to 4.5 Mbps) so that Internet access will not be slowed at times when eligible entities represented by the Michigan State Department of Education’s usage goes well beyond average use for brief periods. The chief disadvantage is that the charges for the extra bandwidth consumed during the “bursting” periods may fall outside the budget you’ve allocated for Internet access during a given fiscal year.

The table below details the costs for base levels of burstable bandwidth eligible entities represented by the Michigan State Department of Education could choose.

<b>Annual Ongoing Costs for Burstable Bandwidth</b>				
<b>Contracted Bandwidth</b>	<b>1-year Term</b>	<b>2-year Term</b>	<b>3-year Term</b>	<b>5-year Term</b>
<b>256 kbps</b>	\$5,940	\$4,760	\$4,370	\$4,180
<b>512 kbps</b>	\$6,250	\$5,010	\$4,600	\$4,310
<b>768 kbps</b>	\$7,530	\$6,020	\$5,540	\$5,170
<b>1.5 Mbps</b>	\$10,040	\$8,020	\$7,390	\$6,900
<b>3 Mbps</b>	\$16,410	\$13,130	\$12,080	\$11,290
<b>4.5 Mbps</b>	\$22,960	\$18,370	\$16,900	\$15,800

## C. Consortium Service

Merit will provide consortium rates for attachments to multiple entities of one organization or a consortium of entities. We charge one fee for bandwidth utilized in aggregate by all attachments;

all sites pay an access fee as described in the first section, and each attachment beyond the first pays an annual additional attachment fee of \$2,520. In consortium service, like burstable service, a contracted bandwidth fee is set based on your anticipated usage, but for the two or more attachments.

The bandwidth fees for consortium service are the same as for burstable, detailed above.

## ***Cost Summary***

The table below details how the total costs can be obtained:

total one-time costs	\$??,???detailed below
annual access fee(s)	\$??,???detailed in the table below
additonal attachments fee(s) if consortium service	\$??,???
annual ongoing cost for service type and level chosen by eligible entities represented by the Michigan State Department of Education (choose from the rate schedules above)	\$??,???
<b>Total 1<sup>st</sup> Year Costs:</b>	<b>\$??,???</b>

## ***Dial-in Connection Internet Access Service***

### ***Attachment Description***

Merit provides statewide dial-up Internet Access Service via our MichNet Shared Dial-in product.

In MichNet Share Dial-in, organizations place dial-in lines at MichNet dial-in locations in quantities that meet their needs. The collection of lines at any dial-in location is shared to reduce overall costs, improve service, and give organizations a cost-effective way to increase the number of lines available to their users.

Organizations create and maintain their own user accounts, generally using the same IDs and passwords that are used for e-mail and other local computing tasks. Organizations can also specify time limits connections.

Users can have optional access to roaming services, including an 800 number for nationwide dial-in and the Merit Global Service for local access in thousands of cities in the U.S. and worldwide.

Detailed below is pricing for organizations to support lines:

<b>Telco install per line</b>	<b>Start up per line</b>	<b>monthly cost per line</b>	<b>Annual cost per line</b>	<b>Merit per order fee</b>
\$75	\$75	\$99	\$1,188	\$250

This proposal is for dial-up Internet Access Service described above as MichNet Shared Dial-in. The pricing detailed herein represents our highest cost for support of lines. Actual costs may be lower. Please contact Merit for actual pricing.